

Message Text

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ACTION EB-07

INFO OCT-01 ARA-06 ISO-00 SP-02 AID-05 NSC-05 CIEP-01

TRSE-00 SS-15 STR-04 OMB-01 CEA-01 L-02 H-02 PA-01

PRS-01 USIA-06 AGR-05 CIAE-00 COME-00 FRB-03 INR-07

NSAE-00 XMB-02 OPIC-03 LAB-04 SIL-01 /085 W

----- 108218

R 211727Z APR 75

FM AMEMBASSY SAN JOSE

TO SECSTATE WASHDC 9949

INFO AMEMBASSY BOGOTA

AMEMBASSY GUATEMALA

AMEMBASSY MANAGUA

AMEMBASSY PANAMA

AMEMBASSY QUITO

AMCONGEN GUAYQUIL

AMEMBASSY TEGUCIGALPA

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E.O. 11652: N/A

TAGS: ETRD, CS

SUBJECT: STATUS OF BANANA NEGOTIATIONS

1. EMBOFF CONTACTED STANDARD FRUIT MANAGER, THOMAS TOBIN IN LIMON, APRIL 18 RE STATUS OF THEIR NEGOTIATIONS WITH GOVERNMENT AND GROWERS ON BANANA TAX AND PRICES. PUERTO LIMON STRIKE ALSO DISCUSSED WITH TOBIN, WHO REPORTED THAT IT WENT OFF IN ORDERLY FASHION WITH GENERAL ATMOSPHERE ALMOST OF FESTIVITY, AND THAT BANANAS ARE NOW MOVING AGAIN. STANDARD WAS SENDING OFF THE FIRST POST-STRIKE CARGO OF BANANAS THAT NIGHT AND TOBIN WAS HOPING THAT THE SHIPMENT WHICH SAT ON THE DOCKS DURING THE STRIKE CAN REACH THE MARKET BEFORE DETERIORATION SETS IN.

2. TOBIN SAID THAT BANANA TAX TALKS WITH THE GOVERNMENT

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WERE GOING WELL JUST PRIOR TO NEWS OF THE SCANDAL IN

HONDURAS AND HE HOPES THAT THAT DEVELOPMENT WILL NOT RESULT IN ANY HARDENING OF THE GOVERNMENT'S POSITION OR ANY SLOWING OF MOVEMENT TOWARD SETTLEMENT. HE RECOGNIZES THAT THIS COULD

BE A LOGICAL REACTION, BUT BOTH HE AND THE EMBASSY ARE PLEASED BY THE APPARENT MILDNESS OF THE COSTA RICAN REACTION, SO FAR, TO THE HONDURAN SCANDAL.

3. STANDARD FRUIT HAS THE AGREEMENT OF MOST OF ITS AFFILIATED INDEPENDENT GROWERS FOR AN 11 CENT INCREASE IN THE PRICE TO THE GROWER (PRECIO DE SALIDA). STANDARD MAINTAINS THAT THIS PRICE WOULD YIELD ITS GROWERS RECORD PROFITS BECAUSE WITH THE AID IT HAS GIVEN THEM OVER THE YEARS (HEAVY TECHNICAL ASSISTANCE, FERTILIZERS, ETC.) THEY HAVE LOW COSTS AND VERY LITTLE DEBT ON THEIR PLANTATIONS. THE GROWERS WHO SELL TO BANDECO (DEL MONTE) AND COBAL (A GERMAN FIRM), AND TO OTHER SMALLER COMPANIES ARE DEMANDING MUCH LARGER INCREASES BECAUSE THEY ARE INEFFICIENT AND HAVE HIGH DEBTS, NOT HAVING RECEIVED MUCH TECHNICAL ASSISTANCE OVER THE YEARS. STANDARD IS THEREFORE OPPOSED TO A UNIFORM PRECIO DE SALIDA AND IS URGING THE GOVERNMENT TO ACCEPT THE IDEA OF ALLOWING EACH COMPANY TO MAKE A SEPARATE DEAL WITH ITS OWN GROWERS. STANDARD BELIEVES THAT PRESIDENT ODUBER SUPPORTS THIS CONCEPT.

4. AS THE EMBASSY HAS PREVIOUSLY REPORTED, MANY OF THE INDEPENDENT GROWERS ARE INEFFICIENT AND HAVE A HIGH DEBT BURDEN. TOBIN STATES THAT GROWERS SELLING TO BANDECO AND COBAL HAVE AN AVERAGE DEBT TO THE COSTA RICAN NATIONAL BANKING SYSTEM OF \$3,00 PER HECTARE, WHICH NATURALLY GIVES THEM A HIGH BREAK-EVEN POINT. TOBIN MAINTAINS THAT IT WOULD BE A MISTAKE FOR THE GOVERNMENT TO IMPOSE AN ACROSS-THE-BOARD PRICE TO KEEP SOLVENT THE LEAST EFFICIENT GROWERS IN COSTA RICA.

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5. ASBANA, THE ASSOCIATION OF INDEPENDENT GROWERS, IS THE SPOKESMAN FOR MOST OF THE INDEPENDENT GROWERS (EXCEPT STANDARDS WHO HAVE THEIR OWN ASSOCIATION). IT IS PUTTING CONTINUAL AND STRONG PRESSURE ON THE GOVERNMENT TO IMPOSE A HIGH PRECIO DE SALIDA. ECONOMY MINISTER SANCHEZ HAS ANNOUNCED THAT THE GOVERNMENT IS STUDYING THE QUESTION OF WHETHER THERE ARE LEGAL POSSIBILITIES TO IMPOSE

A UNIFORM PRICE. POSSIBLE USE OF THE CONSUMER PROTECTION LAW, WHICH GIVES THE GOVERNMENT AUTHORITY TO FIX PRICES FOR EXPORTS HAS BEEN MENTIONED. THE EXECUTIVE SECRETARY OF ASBANA TOLD AN EMBOFF SEVERAL DAYS AGO THAT THEY ARE VERY UPSET WITH THE STANDARD FRUIT POSITION AND REGARD THE SUPPORT STANDARD HAS RECEIVED FROM ITS GROWERS TO BE THE RESULT OF HEAVY INFLUENCE THE COMPANY EXERCISES OVER THEM. HE SAID THE COMPANY IS HOLDING TO A "HARD LINE" POSITION.
TODMAN

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